

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SAJ-01 OPR-02 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02 L-03 H-02

DOTE-00 AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 /076 W

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R 181415Z JUN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2080

INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: REJECTION OF SOCIAL CONTRACT BY AEUW JEOPARDIZES

TUC ANTI-INFLATION EFFORTS

REF: LONDON 9272

SUMMARY: THE DECISION YESTERDAY BY BRITAIN'S SECOND

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LARGEST UNION, THE AMALGAMATED UNION OF ENGINEERING WOR-

KERS (AUEW) AT THEIR CONFERENCE IN HASTINGS TO REJECT THE SOCIAL CONTRACT IS A MAJOR VICTORY FOR THE COMMUNISTS AND OTHER LEFT-WINGERS IN THAT UNION. IT PRESAGES A BITTER BATTLE WITHIN THE TUC OVER WAGES POLICY, PLACES IN SERIOUS JEOPARDY CURRENT EFFORTS BY JACK JONES AND OTHER TUC LEADERS TO DEVELOP A SATISFACTORY ACCORD WITH THE CBI AND THE GOVERNMENT, AND GIVES GREATER CREDIBILITY TO ADVOCATES OF DRASTIC ACTION BY THE GOVERNMENT, INCLUDING THOSE WHO URGE STATUTORY WAGE RESTRAINT. END SUMMARY.

1. THE AUEW CONFERENCE, WHICH IS COMPOSED OF NEARLY 70 RANK AND FILE SHOP STEWARD DELEGATES, VOTED BY A 4 TO 3 MAJORITY IN FAVOR OF A RESOLUTION WHICH CALLED THE SOCIAL CONTRACT "INTERFERENCE IN FREE COLLECTIVE BARGAINING" AND WHO REAFFIRMED THE "UNION'S OPPOSITION TO ANY INCOMES POLICY..." AMONG THE LEADERS IN THE FIGHT TO THROW OUT THE SOCIAL CONTRACT WERE TWO COMMUNISTS: KEN GILL, GENERAL SECRETARY OF THE AUEW'S TECHNICAL AND SUPERVISORY SECTION AND A MEMBER OF THE TUC GENERAL COUNCIL, AND JIMMY REID, WHO SUCCESSFULLY MOVED THE RESOLUTION AGAINST THE SOCIAL CONTRACT. HUGH SCANLON, THE AUEW PRESIDENT, HAD ARGUED THAT THE UNION SHOULD CONTINUE TO SUPPORT THE PRESENT FORM OF THE SOCIAL CONTRACT IN ORDER TO AVOID A MORE RESTRICTIVE VERSION OF IT. THE UNION'S FOUR MEMBERS ON THE TUC GENERAL COUNCIL, WHICH IN ADDITION TO SCANLON AND GILL ALSO INCLUDES THE AUEW RIGHT-WINGER, JOHN BOYD, ARE NOW INSTRUCTED TO OPPOSE ANY CHANGE IN WAGES POLICY WHICH WOULD IMPOSE LIMITS ON UNION DEMANDS.

2. ALTHOUGH THERE WERE OBVIOUSLY A NUMBER OF MEMBERS WHO MAY HAVE VOTED WITH THE COMMUNISTS BECAUSE OF LEGITIMATE OR AT LEAST GENUINE FEARS ABOUT FURTHER PAY RESTRICTIONS, THE FINAL RESULT WAS CLEARLY A VICTORY FOR THE VERY FORMIDABLE LEFT-WING WITHIN THE UNION. THE COMMUNIST MORNING STAR TODAY EXULTED IN AN EDITORIAL: "AT THIS TIME WHEN THE RIGHT-WING, THE TORIES, THE BIG BUSINESSMEN AND THEIR PRESS HAVE LAUNCHED A PROPAGANDA GALE FOR SHACKLING WAGES TO BOOST PROFITS, THE POWERFUL ENGINEERS WHO STOOD LIKE A ROCK AGAINST THE INDUSTRIAL RELATIONS ACT HAVE LIMITED OFFICIAL USE

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AGAIN GIVEN THE WHOLE LABOR MOVEMENT THE LEAD IT NEEDS..."

3. THE AUEW DECISION DOES NOT KNOCK OUT COMPLETELY THE CURRENT EFFORTS WITHIN THE TUC AND ENCOURAGED BY THE GOVERNMENT TO ESTABLISH A NEW WAGES POLICY -- IN CONCERT WITH THE CBI. HOWEVER, IT SERIOUSLY JEOPARDIZES THE WHOLE OPERATION -- WHICH UNDER THE BEST OF CIRCUMSTANCES WOULD BE AN EXTRAORDINARILY DIFFICULT ONE. THE AUEW WILL

OF COURSE SEEK SUPPORT FROM OTHER TUC UNIONS WHICH ARE
RESTIVE ABOUT ANY FORM OF PAY RESTRAINT, AND ALREADY HAS
THE SUPPORT OF OTHER LEADING COMMUNIST TRADE UNIONISTS,
SUCH AS MICK MCGAHEY, VICE-PRESIDENT OF THE NATIONAL
UNION OF MINERS WHO WILL SURELY TRY TO GET THE NUM CON-
FERENCE IN JULY TO FOLLOW THE AUEW LEAD.

4. THE AUEW DECISION CAME ON THE EVE OF A MEETING SCHE-
DULED TODAY BETWEEN THE TUC AND THE CBI TO DISCUSS WAGES
POLICY, WHICH IS TO BE FOLLOWED NEXT WEEK BY A CRITICAL
TUC GENERAL COUNCIL MEETING. SCANLON IS EXPECTED TO
PARTICIPATE IN BOTH MEETINGS AND -- IRONICALLY -- IT WILL
HIGHLIGHT THE COMPLETE BREAK IN POSITION BETWEEN TWO
MAJOR TRADE UNION LEADERS WHO HAD ONCE BEEN KNOWN AS THE

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"TERRIBLE TWINS" OF BRITISH TRADE UNIONISM -- SCANLON AND JACK JONES. THEIR PATHS HAD BEEN DIVERGING FOR SOME TIME BUT THE AUEW DECISION IS TRULY DRAMATIC. JONES HAS BEEN CALLED THE "FATHER OF THE SOCIAL CONTRACT" WHILE THE AUEW IS NOW THE FIRST MAJOR UNION TO REJECT IT. MOREOVER, JONES IS THE ORIGINATOR OF A KEY PROPOSAL (THE FLAT-RATE LIMITED OFFICIAL USE

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WAGE INCREASE IDEA) DESIGNED TO STRENGTHEN THE SOCIAL CONTRACT WAGES GUIDELINES. (THE PERSONAL RELATIONSHIP BETWEEN THE TWO HAS ALSO DETERIORATED, ACCORDING TO MANY CLOSE OBSERVERS.)

5. SHARPER VOICES IN AND OUT OF WHITEHALL AND OF WESTMINSTER MAY BE EXPECTED TO BE HEARD IN SUPPORT OF DRASTIC POLICIES BY THE GOVERNMENT, INCLUDING THE IMPOSITION OF A STATUTORY WAGES POLICY. ASSUMING THAT A RAILROAD STRIKE DOES NOT TAKE PLACE WHICH COULD FORCE THE GOVERNMENT TO ACT PRECIPITOUSLY IN THIS RESPECT, IT WOULD APPEAR THAT -- DESPITE THE AUEW DECISION -- THE GOVERNMENT WILL ALLOW THE JONES, THE MURRAYS AND THE BASNETTS IN THE TUC TO CONTINUE THEIR EFFORTS IN SECURING A MEANINGFUL WAGES POLICY BEFORE IT TAKES DRASTIC ACTION.

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